

1 IN THE UNITED STATES BANKRUPTCY COURT

2 FOR THE SOUTHERN DISTRICT OF TEXAS

3 HOUSTON DIVISION

4 IN RE: § CASE NO. 20-33948-11  
5 FIELDWOOD ENERGY, LLC, § HOUSTON, TEXAS  
ET AL, § TUESDAY,  
6 DEBTORS. § FEBRUARY 2, 2021  
§ 3:00 P.M. TO 10:03 P.M.

7 MOTION HEARING (VIA ZOOM)

8 BEFORE THE HONORABLE MARVIN ISGUR  
9 UNITED STATES BANKRUPTCY JUDGE

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11  
12 APPEARANCES: SEE NEXT PAGE

13 RECORDED VIA COURTSPEAK; NO LOG NOTES  
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**BP Exhibit 5**

Case No. 20-33948

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(Please also see Electronic Appearances.)

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1        HOUSTON, TEXAS; TUESDAY, FEBRUARY 2, 2021; 3:00 P.M.

2        (Conference recording started.)

3                THE COURT: All right. We're here in the  
4 Fieldwood Energy case, it's 20-33948. I've enabled certain  
5 parties that appeared yesterday phones to be activated, you  
6 should have gotten the message on your phone. If your line  
7 hasn't been activated and you want to be authorized to speak  
8 during the course of today's hearing, please press five star  
9 one time on your phone and I will enable the additional  
10 telephones.

11               Yes. From 713-374-3672 who do we have?

12               MS. TIPPER-MCWHORTER: Yes. Katie  
13 Tipper-McWhorter on behalf of BP.

14               THE COURT: All right. Good morning, or good  
15 afternoon.

16               MS. TIPPER-MCWHORTER: Good afternoon.

17               THE COURT: From the 214 area code, it's  
18 214-665-3735, who do we have?

19               MR. STARK: Your Honor, Bill Stark with Greenberg  
20 Traurig on behalf of BP Exploration and Production.

21               THE COURT: Good afternoon, Mr. Stark.

22               MR. STARK: Good afternoon, Your Honor.

23               THE COURT: All right. Mr. Genender, tell me  
24 where we are?

25               MR. GENENDER: Good afternoon, Your Honor. Paul

1 Genender for the Debtors.

2 Your Honor, we spoke with BP's counsel around the  
3 noon hour, and they indicated there were a number of issues  
4 that prevent them from agreeing to the proposal or to the  
5 draft -- the Court's notice of draft possible order. And we  
6 talked through those things, the Debtors are in agreement  
7 with the document you filed at 825. We would agree to be  
8 bound by it, the Debtors would. But my understanding is  
9 that BP is not and we're prepared to proceed.

10 THE COURT: All right. Ms. Heyen, is that  
11 correct? Is that the way you think we ought to move ahead?

12 MS. HEYEN: Yes, Your Honor. And we sincerely  
13 appreciate the Court's diligence and efforts regarding the  
14 draft order, but in the limited time between last night and  
15 this morning we were unable to reach an agreement. So, Your  
16 Honor, we are ready to proceed with a hearing.

17 THE COURT: I think you have someone else that  
18 wishes to participate from the 214 area code, who do we  
19 have?

20 (No audible response.)

21 THE COURT: All right. I don't know who that was.  
22 Let me try that again.

23 From the 214 area code, do we have someone else  
24 who wishes to speak?

25 (No audible response.)

1 THE COURT: All right. Who's going to be your  
2 first witness, Mr. Genender?

3 MR. GENENDER: Your Honor, we're going to call  
4 Mike Dane and my partner, Alfredo Perez, is going to handle  
5 Mr. Dane's examination.

6 THE COURT: All right. Mr. Dane, would you raise  
7 your hand please, sir? Oh. I don't have my camera on, I  
8 apologize for that, hold on.

9 Okay. Let's try that again, Mr. Dane.

10 Do you swear to tell the truth, the whole truth,  
11 and nothing but the truth -- and I guess I need you to  
12 activate your line before you can answer that.

13 (No audible response.)

14 THE COURT: All right. Mr. Dane?

15 (Witness sworn.)

16 THE WITNESS: Yes, I do. Thank you, Your Honor.

17 THE COURT: Thank you, sir.

18 All right. Mr. Genender.

19 MR. GENENDER: Your Honor, Mr. Perez is going to  
20 proceed.

21 THE COURT: I'm sorry, Mr. Perez.

22 MR. PEREZ: Good afternoon, Your Honor. Can you  
23 hear me?

24 THE COURT: I can.

25 MR. PEREZ: Thank you, Your Honor.

1 DIRECT EXAMINATION OF MICHAEL T. DANE

2 BY MR. PEREZ:

3 Q Would you please state your name?

4 A Michael T. Dane.

5 Q Mr. Dane, how are you employed?

6 A I'm the Senior Vice President, Chief Financial Officer  
7 at Fieldwood.

8 Q And are you familiar with the motion that brings us  
9 here today?

10 A Yes. I am.

11 Q All right. What is the nature of the emergency relief  
12 being sought, Mr. Dane?

13 A Fieldwood has a well, which is a very important asset  
14 to the company, to our estate, it's called the Genovesa  
15 well. And do the timing that we face today, which  
16 compounded by recent Department of Interior orders that have  
17 been issued, we have serious concern about our ability to  
18 bring that well online in a timely basis in order to  
19 maintain the value of that lease in that well.

20 Q And what is the precise nature of the emergency?

21 A So there's a critical date, which is April 5th, which  
22 is a date in which our lease is subject to expire subject to  
23 an extension on the lease, which comes in from the  
24 Suspension of Production and if our -- Right now we're in a  
25 period of heightened uncertainty given the Department of

1 Interior recent orders, which have introduced a lot of  
2 ambiguity as to if and how a Suspension of Production can be  
3 obtained, and denotes no sure course of action to make sure  
4 that we can maintain the value of our well just to make sure  
5 that this well is brought online prior to that date. Which  
6 we think, given where we sit today is very reasonable.

7           So we are seeking action in order to bring our  
8 well online to make sure that we don't risk any value that's  
9 associated with that really important well, Genovesa.

10 Q     Okay. And when was the Genovesa well drilled?

11 A     It was drilled between June to July of 2019.

12 Q     All right. And what have you done since that time with  
13 respect to trying to bring it online? I'm sorry.

14 A     Sure. Thank you. So the well was drilled in June to  
15 July of 2019 and, then since that time, pending completion  
16 operations and some other activities that were necessary to  
17 help with this well produce. We thought that this well  
18 would have been capable producing at the very end of 2019.  
19 We are, the well produces into the BP operated subsea loop  
20 system which we are also co-owner in. And it will produce  
21 into the operating ECO facility. So we did need some level  
22 of cooperation from BP in order to assist with the post  
23 drilling and completion activities to bring the well online.  
24 And those are the challenges that we have been facing since  
25 we drilled this well in July of 2019.



1 Q Has Fieldwood attempted to tie the Genovesa well into  
2 the subsea loop system?

3 A We have. We have conducted a number of activities  
4 since we drilled and completed the well. The last activity  
5 that we directly completed to attempt to tie this well into  
6 -- to produce into (indiscernible) was an activity that BP  
7 permitted Fieldwood to take, to tie the well in. This  
8 happened in April of 2020. And during that time of that  
9 activity, there was an anomaly that was observed. A well  
10 into the subsea system at the Fieldwood and BP. This  
11 anomaly was acknowledged not to be the result of any actions  
12 taken by Fieldwood in those operations that was something  
13 that was stated by both parties. But as a result of that  
14 anomaly, which was observed, we have been pursuing other  
15 activities to be able to produce the well since April of  
16 2020 in conjunction with BP.

17 Q So have you tried to work around the anomaly in order  
18 to bring the well into production?

19 A Yes. We have.

20 Q And what have you done?

21 A So we've been in a very lengthy and ongoing dialogue  
22 with BP, since we need them to assist us with completing the  
23 operations that would allow us to tie in the well at this  
24 point. Since April of 2020, there have been a number of  
25 activities. Initially there was -- there was some finger

1 pointing and uncertainty as to what caused the anomaly that  
2 was observed in which was previously determined not to be  
3 anything that Fieldwood caused. There was some  
4 investigation that took place over that period of time.

5           There were a number of campaigns that took place  
6 over a lengthy period of time during the summer.

7 Ultimately, in the September-October time period it was  
8 identified as the best option to bring the well online, as  
9 identified by the Fieldwood and BP, was what we call a  
10 single flow line option. Which is what BP and Fieldwood  
11 have been working towards since that time and what Fieldwood  
12 formerly proposed back in November of 2020.

13 Q     And when BP proposed that in November of 2020, what did  
14 Fieldwood do?

15 A     So this was something that had been verbally discussed  
16 as the best option back, I believe and to my knowledge, in  
17 the September-October time frame. In October of 2020 during  
18 an update meeting between our operations team, BP had more  
19 formally suggested that the single flow line plan was their  
20 recommendation for the best way to address the issues that  
21 we were having. That aligned with the discussions that we  
22 had, had with BP over the couple months since some of these  
23 issues have been better understood given the operational  
24 activity that took place prior to September.

25           And in order to push that solution forward, which

1 BP had suggested in October would be completed, in the first  
2 quarter of this year, through written materials that they  
3 provided us in discussion, Fieldwood took the initiative to  
4 do everything within our capabilities to move forward with  
5 that action. We submitted a formal proposal on November 2nd  
6 to BP outlining every step that was necessary, in order to  
7 accomplish certain tasks. And in order to make certain that  
8 they happened as expedited manner as possible, Fieldwood  
9 actually committed significant resources both financial and  
10 operational to advancing these work streams.

11 We submitted purchase orders for the material, we  
12 started our vendors with respect to fabrication efforts that  
13 were required. We began doing the work that was required  
14 for various permitting processes. So it was our attempt all  
15 along to try to move this forward on a parallel path,  
16 recognizing that the dates we were looking at in the October  
17 time frame, as suggested by BP, was the first quarter. At  
18 that point in time, we believed that it was very reasonable  
19 we could have had this well online prior to the end of the  
20 year, but we know that BP was operating under different  
21 timing assumptions.

22 Q All right. Does BP have any wells tied to the loop  
23 system, the subsea loop system?

24 A They do. They have a well called Isabella which is  
25 also tied into the subsea loop system.

1 Q And was that well impacted by the anomaly?

2 A That well was. The whole loop system was impacted by  
3 the anomaly. However, BP undertook, on a much expedited  
4 basis, the activities, which were required to be able to  
5 produce their own well Isabella, through a separate single  
6 flow line on the loop, which is similar to what Fieldwood is  
7 trying to accomplish on the other side of the loop, albeit  
8 it, it's a somewhat different operational activity necessary  
9 to establish that production. And to my knowledge they've  
10 been producing that well since the fourth quarter of last  
11 year.

12 Q Now from a -- from the standpoint of agreeing to the  
13 various agreements that existed between BP and Fieldwood.  
14 Is Fieldwood prepared to abide by those agreements in  
15 connection with the single flow line and the other items  
16 that have to be done in connection with the loop system?

17 A Certainly. We recognize that.

18 Q And has that ever been communicated to BP?

19 A Absolutely. We have talked on an ongoing basis about  
20 our obligations under these agreements. And that's been  
21 well communicated to BP.

22 Q Now speaking from a financial standpoint, does  
23 Fieldwood have the resources in order to complete the  
24 various work that needs to be done?

25 A Yes. As I mentioned, back in early November, alongside

1 submitting a very detailed operational plan and proposal to  
2 BP, outlining every step that was required to be taken to  
3 bring our well online through the single flow line option,  
4 which we both identified as being a solution. Fieldwood  
5 also offered on an ongoing basis to conduct those activities  
6 ourselves in a similar manner to how Fieldwood conducted  
7 previous operations which BP consented to Fieldwood  
8 operating. So that has been something we have been standing  
9 by ready to do if given consent by BP in order to operate  
10 and we've clearly had our plans on how we would accomplish  
11 those operations.

12 Q Is the Genovesa well material to BP's -- I'm sorry --  
13 to Fieldwood's ongoing plan of reorganization?

14 A Yeah. So this is a very material well for Fieldwood.  
15 Fieldwood and our partners have invested over \$160 million  
16 in this project to date. We own, as I mentioned, 65 percent  
17 of this well in terms of our working interest. Our co-  
18 working interest owners own 35 percent in this well. So our  
19 net investment is over \$100 million. The production that is  
20 associated with this well is a very significant amount of  
21 our production today and what is going to be our reorganized  
22 company. Is a very important driver of not only our near-  
23 term production but our long-term value. And I think that  
24 the delays that we've been experiencing have a cash flow  
25 impact on the company. But more so than that, the status of

1 this lease potentially be in jeopardy as would have you the  
2 very serious potentially irreparable consequences to our  
3 overall restructuring.

4 Q And do you have an estimate as to what you think the  
5 overall value of this lease and this prospects are with  
6 respect to the company on a go forward basis?

7 A So I mentioned we've invested, us and our partners,  
8 over \$150 million. I think that our view of the value of  
9 this well is multiples of that. We certainly think that  
10 this is a very, very material contributor in the hundreds of  
11 millions of dollars to the value of our estate and to the  
12 reorganized company which is a critical part of our  
13 restructuring -- our contemplated restructuring plan.

14 MR. PEREZ: Nothing further, Your Honor. I pass  
15 the witness.

16 THE COURT: All right. Thank you.

17 Who's going to cross-examine Mr. Dane.

18 MR. STARK: Yes, Your Honor. This is Bill Stark,  
19 I will.

20 THE COURT: Thank you, Mr. Stark.

21 MR. STARK: Thank you, Your Honor.

22 CROSS-EXAMINATION OF MICHAEL T. DANE

23 BY MR. STARK:

24 Q Thank you, Mr. Dane. I want to make sure I accurately  
25 understand the nature of the emergency that's brought us

1 here today. I believe you testified that's as a result of  
2 the recent January DOI order is that correct?

3 A That's one reason that we feel that there's such  
4 emergency.

5 Q Okay. What are the other reasons that there's an  
6 emergency?

7 A Well as of -- we have certain standards under  
8 agreements of how operators need to conduct operations. In  
9 the ordinary course, we would never put a lease potentially  
10 in jeopardy or susceptible to only having it extended by  
11 virtue of having an SOP granted. In any event, where it's  
12 within certain operator controls to not suspect a leak to  
13 that type of jeopardy. So just being in this circumstance  
14 in the first place, where we have a lease that's coming up  
15 on a critical lease expiration date at a point when it's  
16 been a year-and-a-half since that well has been drilled is  
17 not how we view certain operations.

18 The DOI order activates this issue to an even  
19 greater magnitude, because there's been a tremendous amount  
20 out of uncertainty that's been introduced as to how and  
21 under what conditions leases will be granted, extended, and  
22 how regulators will be doing things going forward. That may  
23 be different than they've done in the past. I think  
24 industry in general is pretty unanimous with respect to the  
25 fact that the ambiguity through some of these orders that

1 have been issued is just an unknown and we don't quite know  
2 how it will all work going forward.

3 Q Okay. I want to make sure I understand everything I  
4 heard. Other reasons that you believe create an emergency  
5 (indiscernible)?

6 A The nature of the timing of the lease, both with  
7 respect to the lease expiration date and the uncertainty of  
8 getting an SOP, is why we feel -- and the timing in which we  
9 will know when we would get an SOP which is typically only  
10 at or around the actual date of the expiration of the lease.  
11 So that's predominantly the reasons why we are here today on  
12 an emergency basis.

13 Q What was the first time that Fieldwood alleged that BP  
14 failed to act as a reasonably prudent operator?

15 MR. PEREZ: -- the question.

16 THE COURT: Sustained.

17 MR. PEREZ: Object to the form of the question.

18 Misstates --

19 THE COURT: Sustained.

20 MR. PEREZ: -- the testimony.

21 THE COURT: Sustained.

22 BY MR. STARK:

23 Q Is it Fieldwood's contention that BP has failed to act  
24 as a reasonably prudent operator?

25 A In my view, jeopardizing a lease with this significant



1 value by inaction is not acting as a reasonably prudent  
2 operator.

3 Q So is that a yes?

4 A I'm sorry, could you repeat your question?

5 Q Is that a yes that you are -- that Fieldwood is  
6 alleging that BP has failed to act as a reasonably prudent  
7 operator?

8 A Yes.

9 Q When was the first time Fieldwood made that allegation?

10 A Fieldwood expressed its concerns about how operations  
11 had been handled with respect to Genovesa, dating back all  
12 the way to after having drilled and completed this well, and  
13 then having had an experience of in excess of a year in  
14 which we have not been able to bring this well online. So  
15 it's been a continuous dialog with respect to BP as to their  
16 inaction to allow us to produce this well.

17 Q I appreciate that. My question is a little different.  
18 When was the first time that Fieldwood made the allegation  
19 that BP failed to act as a reasonably prudent operator?

20 MR. PEREZ: Objection to form of the question.  
21 Misstates the testimony.

22 THE COURT: Sustained. I'm sustaining not because  
23 it misstates the testimony, but because it assumes a fact  
24 not in evidence.

25 BY MR. STARK:

1 Q Has Fieldwood alleged that BP has failed to act as a  
2 reasonably prudent operator?

3 MR. GENENDER: Object to the form of the question,  
4 Your Honor, vague.

5 THE COURT: Overruled.

6 BY MR. STARK:

7 A With all companies that we try and operate with --  
8 excuse me Your Honor -- have partnerships with, we don't  
9 usually start from the posture of trying to go down a legal  
10 road and make allegations that folks aren't operating within  
11 the requirements of certain agreements. I can't tell you  
12 that from the beginning of this process we have alleged that  
13 BP has not been acting as a reasonably prudent operator,  
14 because our objective throughout this entire year-and-a-half  
15 long process has been to work as constructively as we can in  
16 order to get this well online and not to be sitting here  
17 today with the types of risks we're facing. So the  
18 allegations have arisen, because over an extended period of  
19 time with this inaction, and we're sitting here today with a  
20 very real deadline which we can avoid by working  
21 cooperatively over several months --

22 THE COURT: Mr. Dane, I'm going to --

23 BY MR. STARK:

24 A -- and our view today --

25 THE COURT: Mr. Dane, I'm going to interrupt you.

1 I made Mr. Stark ask the right question. He asked the right  
2 question, go ahead and answer his question please.

3 BY MR. STARK:

4 A I'm sorry, Mr. Stark. Can you repeat the question?

5 Q I'm not sure I remember. I'll give it a shot. Has  
6 Fieldwood alleged that BP failed to act as a reasonably  
7 prudent operator?

8 A I believe that our motion that we filed has that  
9 allegation in it.

10 Q In fact, the emergency motion was the first time  
11 Fieldwood made that allegation, isn't it?

12 A It's the first -- that motion is the first time that we  
13 brought this issue in front of the Court.

14 Q And it's also the first time that Fieldwood's alleged  
15 that BP failed to act as a reasonably prudent operator isn't  
16 it?

17 MR. PEREZ: Object to the question. Ask and  
18 answered, Your Honor.

19 THE COURT: Overruled.

20 BY MR. STARK:

21 A I'm not aware if we made that formal allegation. I  
22 know that -- I know that our legal department has exchanged  
23 a number of notices over the course of many months. I'm not  
24 aware if specifically identifying failure to act as a  
25 reasonably prudent operator was in those notices or not.

1 Q You discussed the anomaly that was discovered in April  
2 of 2020, do you recall that?

3 A Yes, sir.

4 Q Was it reasonably prudent for BP to investigate the  
5 nature of that anomaly?

6 A Absolutely.

7 Q Was it reasonably prudent for BP to investigate  
8 ultimately the source of a leak?

9 A Yes.

10 Q Was it reasonably prudent not to flow the Genovesa well  
11 during those investigations?

12 A Yes.

13 Q Was it reasonably prudent for BP to suggest the single  
14 flow line alternative?

15 A Yes. Although I believe that, that was something that  
16 was suggested by both parties.

17 Q Are you aware of the bolt tightening attempt?

18 A Yes. I am.

19 Q And that occurred in early January of this year, is  
20 that correct?

21 A Yes.

22 Q Was it reasonably prudent for BP to attempt the bolt  
23 tightening?

24 A Fieldwood would have likely attempted that same  
25 operation. I think that, that was reasonably prudent.

1 Q You're aware that -- notwithstanding the fact that it  
2 was reasonably prudent to attempt that ultimately was not  
3 successful. Are you aware of that?

4 A I am aware.

5 Q And you're aware that BP suggested that Fieldwood  
6 should engage with the regulators at BSEE regarding an SOP,  
7 are you aware of that?

8 A Yes.

9 Q Was it reasonably prudent for BP to suggest that  
10 Fieldwood engage with BSEE regarding an SOP?

11 A Yes.

12 Q And in fact Fieldwood attempted to engage with BSEE  
13 regarding an SOP in mid to late January, is that correct?

14 A I'm sorry can you repeat that question one more time?

15 Q Fieldwood intended to engage with BSEE regarding an SOP  
16 in mid to late January of this year, correct?

17 THE COURT: So Mr. Stark, I just want to -- the  
18 first time you asked the question you said attempted and  
19 this time you said intended, I just want a clear record as  
20 to what question you were asking him. Sometimes it's tough  
21 on the recording and I may have heard you wrong. But let me  
22 just get you to try again, just to be sure we get the right  
23 question.

24 MR. STARK: Thank you, Your Honor. I apologize.

25 BY MR. STARK:

1 Q Fieldwood intended to engage with BSEE regarding an SOP  
2 in mid to late January of this year, correct?

3 A No. So an SOP is only required when you don't believe  
4 that you can conduct the operations in time in order to  
5 accomplish preserving a lease without the need for an SOP.  
6 And so Fieldwood's primary objective was to encourage the  
7 actions that are required in order to avoid an SOP, and  
8 utilize an SOP in the point in time when it's clear that  
9 those actions will not be successful with meeting the  
10 deadlines that are otherwise required.

11 And so there's been a difference of opinion about  
12 what the appropriate time is to apply for an SOP. We've had  
13 a lot of dialog with respect to the regulators about what  
14 that timing is. But to be clear we believe it is -- if it  
15 becomes to necessary to get an SOP it's absolutely something  
16 that we will and should do. We don't believe it's necessary  
17 to get an SOP, when you can take other actions that would  
18 avoid the need for an SOP. And that's the same way that the  
19 regulators view the process for receiving an SOP as we  
20 understand it.

21 Q Just so I'm clear, it is your testimony that Fieldwood  
22 did not intend to engage with BSEE in mid to late January of  
23 this year regarding an SOP is that correct?

24 A That's not correct?

25 Q So Fieldwood did intend to engage with BSEE mid to late

1 January of this year regarding an SOP?

2 MR. PEREZ: Objection to the question, Your Honor.

3 Asked and answered.

4 THE COURT: Overruled.

5 You can answer, Mr. Dane.

6 BY MR. STARK:

7 A So Fieldwood has engaged with BSEE --

8 THE WITNESS: I'm sorry, Your Honor.

9 THE COURT: I just said you can answer.

10 THE WITNESS: Okay. Thank you.

11 BY MR. STARK:

12 A So Fieldwood has engaged with BSEE on the appropriate  
13 way to obtain an SOP. We've had dialog with the department  
14 that issues those SOPs where we sought guidance from them.  
15 We have filled out an application and paid for it and taken  
16 a number of steps to submit an SOP, if and when that SOP  
17 becomes necessary, under the terms of which the regulators  
18 have explained to Fieldwood is the appropriate way to submit  
19 an SOP.

20 Q Well help me understand. We're having an emergency  
21 hearing, is this not the time to submit an SOP?

22 A In our opinion, this is not the time to submit an SOP.

23 Q Why is that?

24 A The regulators have told us, and it is our experience  
25 through SOP submissions on a host of other leases over an

1 extended period of time, that an SOP is supposed to be  
2 submitted once it becomes clear that the activities that  
3 would otherwise require the SOP can't be conducted. So if  
4 the lease -- if the operations can be conducted that  
5 mitigate the need for an SOP, an SOP is not supposed to be  
6 submitted until that time -- until that time at which is  
7 becomes clear that the actions will not be successful, by  
8 the key milestone dates.

9           What we have been advised and we have seen  
10 published literature by BOEM and BSEE is that typically SOPs  
11 are submitted three to four weeks ahead of the lease  
12 expiration deadlines, and that they require a schedule that  
13 shows how the activities that will be conducted in order to  
14 (indiscernible) production.

15 Q     Now although three to four weeks may be typical, this  
16 is an untypical time if I understand your prior testimony  
17 regarding the January DOI order, is that correct?

18 A     That's correct.

19 Q     So not withstanding what may be typical but why would  
20 Fieldwood not yet submitted for an SOP?

21 A     Fieldwood hasn't submitted an SOP, because we can't  
22 seem to get alignment with BP on a schedule to attach to  
23 that SOP. It's our view that the schedule that BP is  
24 seeking to impose upon Fieldwood, artificially extends the  
25 timing that's necessary to conduct these operations. And



1 our concern is that, if we submit that SOP, which would not  
2 be following the regular guidance that we've gotten from  
3 BSEE about the timing and conditions under which you're  
4 supposed to, but nevertheless if we submit that SOP with  
5 this artificially extended timing that BP will not work  
6 towards a reasonable schedule to preserve the lease.

7 And in any event the decision on an SOP will not  
8 be given until the time at which the lease is otherwise set  
9 to expire. Which gives us even further concern about the  
10 schedule that BP is suggesting that Fieldwood attach to that  
11 SOP. But to be clear, Mr. Stark, we don't have an issue  
12 with submitted an SOP.

13 Q Now you don't know when an SOP would be granted or  
14 denied do you?

15 A No. That's precisely the problem.

16 Q So Fieldwood could submit for an SOP today and it could  
17 be granted later this week?

18 A Correct. And if we had an agreed schedule, Fieldwood  
19 would do exactly that.

20 Q What is Fieldwood's objections -- or excuse me -- what  
21 are Fieldwood's objections to the schedule BP provided?

22 A The schedule that BP provided has a number of  
23 activities, particularly the things that happen after the  
24 lease expiration date, which are clearly entirely with in  
25 the control of BP. And those activities are things that in

1 our view take a very abbreviated amount of time in order to  
2 do. Things that should have been already done or can be  
3 done today and over the course of a very brief period of  
4 time. And so to put those activities at the very end of the  
5 schedule and suggest that's not within our control to do  
6 that today, we think is disingenuous and unnecessary.

7 Q Which activities specifically are those?

8 A Those specific activities were the host readiness  
9 activities that -- I'm doing from memory because I don't  
10 have the schedule right in front of me -- but it's the last  
11 activity that was in the BP schedule. That's not the only  
12 activity, we have a general disagreement with respect to the  
13 activity schedule, but that specific activity we feel like  
14 is an item that should be brought forward.

15 Q What are the other disagreements?

16 A Well the disagreements are the activities that would  
17 not take place sooner than the schedule that Fieldwood has  
18 submitted to BP since November.

19 Q So any date that doesn't meet Fieldwood's schedule of  
20 November is objectionable, is that correct?

21 A No.

22 Q Well, apparently, I don't understand. What are the  
23 other disagreements Fieldwood has with the schedule BP  
24 proposed?

25 A Well the primary --

1 MR. PEREZ: Object to the question. Asked and  
2 answered.

3 THE COURT: Sustained.

4 And Mr. Stark, the reason I'm sustaining, I just  
5 want to explain it so if you want to redo your question you  
6 can. He said from memory this one, but if I see the  
7 schedule there's more. And then you're asking him for more  
8 without showing him the schedule. He's already answered  
9 that. But if you were to show him the schedule I would let  
10 you then ask him more questions. I just don't want you to  
11 be misled about what my ruling means.

12 MR. STARK: Thank you, Your Honor. I appreciate  
13 that.

14 Rachel, if you will, please pull Exhibit 23?

15 THE COURT: I need to give her the presenter role,  
16 who is -- what's the name of the person I'm looking for?

17 MR. STARK: Rachel Himmel (phonetic).

18 THE COURT: All right. Just a moment.

19 MR. STARK: Thank you, Your Honor.

20 MS. HIMMEL: Bill, do you want the most recent  
21 schedule proposal pulled up?

22 MR. STARK: It's Exhibit 23.

23 MS. HIMMEL: Yeah. Okay. Got it, just a second.

24 THE COURT: In the meantime, Mr. Dane, you're  
25 going to get a message on your phone, I want you to go ahead

1 and ignore it, just trying to get my system online.

2 THE WITNESS: All right.

3 MR. GENENDER: Your Honor, Paul Genender. I don't  
4 have an Exhibit 23. The list that I have from BP says  
5 Exhibit 23 is not used.

6 I think it's Exhibit 24, Mr. Stark.

7 THE COURT: What got put up on the --

8 MR. STARK: I apologize --

9 THE COURT: -- screen is called Exhibit 20.

10 MR. STARK: It's 24, I apologize.

11 THE COURT: So what's this exhibit number again?

12 MR. STARK: 24, Your Honor.

13 THE COURT: 24. Thank you.

14 MR. STARK: Can we blow that up? Can we zoom in  
15 on this?

16 THE COURT: Ms. Himmel, I think, if you'll see to  
17 it that, that exhibit takes up more of your screen, it will  
18 then take up more of our screen. I think you can make it  
19 bigger on your computer screen. Like the whole page bigger.  
20 Maybe not. Okay.

21 BY MR. STARK:

22 Q So, Mr. Dane, if I understand you correctly, Fieldwood  
23 disagreed with the health facility readiness and well start  
24 up date of May 15, 2021, is that correct?

25 A That's one item on the schedule that we disagree with,

1 correct.

2 Q What are the other items on the schedule that Fieldwood  
3 disagrees with?

4 A So I'm not the operational expert. We have -- we've  
5 laid out a very detailed critical path plan that BP's had  
6 since November, and we've also proposed a separate SOP  
7 schedule, which again in our view is not the schedule that  
8 should dictate the operational timing, but it's the back-up  
9 plan in the event that it doesn't happen. And the schedule  
10 that we proposed is the schedule that we think is  
11 immediately achievable and any discrepancies between the two  
12 are what we believe are not reasonable.

13 Q So do I understand you correctly, that looking at this  
14 exhibit you can't identify for me the other items Fieldwood  
15 finds objectionable?

16 A I know that from conversation the timing of the host  
17 facility readiness and well startup, it's the timing and  
18 duration is one of the more significant variances between  
19 our schedules. And I believe that the timing with respect  
20 to a number of these other items is slightly different than  
21 what Fieldwood believes is appropriate.

22 Q Which other items are those?

23 A I would have to see our schedule to be able to compare  
24 them.

25 Q What about the health facility readiness and well start

1 up that Fieldwood believes is objectionable in terms of  
2 timing and duration?

3 A So that's outside my area of expertise.

4 Q Fair enough.

5 Other than Fieldwood's subjective concern with the  
6 January DOI order, what else is there to substantiate  
7 Fieldwood's fear that there's been some sort of change in  
8 how the DOI issues SOPs?

9 A I think SOPs, in general, are not a place that you want  
10 to find yourself with respect to critical lease situations.  
11 It's an extension when you cannot conduct an activity, and  
12 there's never an assurance that an SOP will be granted.  
13 Today's environment and that order and the several orders  
14 that we've seen from the Department of Interior and the  
15 Executive order that's been issued, introduces additional  
16 uncertainty that we think is unnecessary given the fact that  
17 we know these activities can be conducted in a way that  
18 doesn't introduce that type of risk.

19 Q Now you reference other orders, which other orders are  
20 those?

21 A There was an executive order that was issued on climate  
22 day surrounding leasing moratoriums and other fossil fuels,  
23 you know, changes to the regulatory framework.

24 Q What sort of changes to regulatory framework?

25 A We know that there's going to be a moratorium on

1 leasing subject to further review. We know that there's  
2 going to be a review of loyalty rates, there's going to be a  
3 review of fossil fuel subsidies, a review of emissions.

4 Q Mr. Dane, have you ever personally been involved in  
5 applying for an SOP?

6 A Would you mind clarifying for me what that means?

7 Q Have you personally been involved in creating materials  
8 that are submitted in hopes of obtaining an SOP?

9 A I've not personally filled out a form, but I've been  
10 involved in the process of submitting an SOP.

11 Q When you say involved in the process, what was your  
12 involvement?

13 A To understand this SOP was necessary, when and how we  
14 would (indiscernible), and following up on the process to  
15 understand if it was granted or denied.

16 Q Did you ever discuss SOPs with anyone at BSEE?

17 A I have not personally discussed SOPs with anyone at  
18 BSEE.

19 Q Are you aware that notwithstanding Fieldwood's November  
20 proposal regarding the single flow line, BP continued to  
21 request additional information from Fieldwood?

22 A We have an ongoing relationship with the teams, and I  
23 know that requests on both sides have been a feature of that  
24 relationship.

25 Q You said that Fieldwood has -- strike that. I recall

1 you testified that Fieldwood has the resources necessary to  
2 complete the single flow line, is that correct?

3 A That's right.

4 Q In the unfortunate event that something goes wrong  
5 during the process to implement the single flow line, who  
6 pays for that?

7 MR. PEREZ: Objection to the question, Your Honor,  
8 to the extent it calls for a legal conclusion.

9 THE COURT: Sustained.

10 BY MR. STARK:

11 Q In the event something goes horribly wrong during the  
12 operations to implement the single flow line, do you have an  
13 understanding of who would be responsible to pay for it?

14 MR. PEREZ: Same objection, Your Honor.

15 THE COURT: I'm going to overrule it and I want to  
16 explain why, because usually I do sustain when you get those  
17 follow up questions. But Mr. Dane is said to the have the  
18 resources in order to do this and within that I need to know  
19 whether his understanding of the required resources includes  
20 the ability to handle any sort of catastrophic leak that  
21 might occur. I don't know whether that was included or not  
22 included, so it's a fair question given his testimony.  
23 Therefore, I'm going to allow his understanding to come in,  
24 not as to the legal conclusion of the actual facts but as to  
25 what he's thinking of when he says they have resources. So



1 the objection's overruled on that limited basis.

2 Mr. Dane.

3 BY MR. STARK:

4 A Mr. Stark, do you mind repeating the question one more  
5 time?

6 Q I'll do my best, sir. In the event something goes  
7 horribly wrong during the installation of the single flow  
8 line, do you have an understanding as to who would be  
9 responsible for those costs?

10 A So our agreements govern the liability of certain  
11 parties and the indemnifications that may be appropriate. I  
12 think it depends -- I can't tell you if things go horribly  
13 wrong, I think that would depend on the circumstances that  
14 cause that issue to arise. But I do generally -- what  
15 Fieldwood has proposed in doing these operations is  
16 indemnifying BP in the same manner in which it has -- BP has  
17 agreed for Fieldwood to do these similar types of operations  
18 in the past. And I think your statement of, if things go  
19 horribly wrong, needs to be put in the context of the type  
20 of operation that we're discussing which are not down hole  
21 operations or drilling operations, it is the replacement of  
22 a piece of empty pipe to another pipe.

23 Q So in the event something does go horribly wrong, does  
24 Fieldwood have the resources to pay for that should they be  
25 found liable?

1 A So Fieldwood has extensive insurance, we have a very  
2 adequate current liquidity and resources in order to conduct  
3 these types of operations. And we believe we do have the  
4 resources required with reasonable -- with the reasonable  
5 risks that we think that these operations entail, which we  
6 don't view any different than the ordinary risks that we  
7 assume by being a current operator in the shallow and  
8 deepwater of the Gulf of Mexico.

9 Q So I understand you correctly, Fieldwood specifically  
10 has insurance coverage that would cover the unfortunate  
11 event that something went horribly wrong and Fieldwood were  
12 determined to be responsible, is that correct?

13 MR. PEREZ: Object to the form of the question, I  
14 think it misstates his testimony.

15 THE COURT: Sustained.

16 BY MR. STARK:

17 Q Does Fieldwood have insurance policies that would cover  
18 the unfortunate event where there were a catastrophic  
19 failure or a catastrophic result during the installation of  
20 the single flow line and Fieldwood was determined to be  
21 responsible?

22 MR. PEREZ: Same objection, Your Honor.

23 THE COURT: I need to understand better what  
24 you're getting at Mr. Stark. He testified that this is only  
25 the laying of an empty pipe. And so if you're talking about

1 a catastrophic result, I could think of, you know, a diver  
2 perishing through an accident. I can think of the pipe not  
3 working, because you can't connect one end to the other.  
4 Which is you know, sort of catastrophic for the project but  
5 not catastrophic for life.

6 I have difficulty thinking of a catastrophic  
7 environmental problem if all that we're doing is laying an  
8 empty pipe. So I want you to define a little better what  
9 you're asking him about in a context of his testimony. Or  
10 maybe you want to disagree and push him a little bit on  
11 whether all this is, is the laying of any empty pipe. But  
12 the risks are different between laying an empty pipe and  
13 laying a pipe that is under pressure where you're doing  
14 repair to it.

15 MR. STARK: I appreciate that, Your Honor.

16 BY MR. STARK:

17 Q Mr. Dane, on what do you base the belief that this is  
18 an empty pipe?

19 A Well on facts. And it's not a pipe that has  
20 hydrocarbons in it. It's a pipe that to my knowledge --  
21 again I'm not the operational expert. This is an activity  
22 that we've run numerous times. This is a piece of pipe  
23 that's being connected from on piece of the subsea  
24 infrastructure to another piece of subsea the  
25 infrastructure. These types of operations to my knowledge

1 never involve a piece of -- a pipe that has hydrocarbons at  
2 the time of installation.

3 Q So I appreciate that you are not a technical expert in  
4 this area. So if the technical experts in this area told us  
5 that the pipe did contain hydrocarbons, would you defer to  
6 their expertise?

7 A Yes.

8 Q And what sort of insurance coverage is available if  
9 these pipes to contain hydrocarbons and there were a  
10 catastrophic event?

11 A So I don't have all the details of our various  
12 insurance policies, but we have a very, very robust set of  
13 policies. All operators in the Gulf of Mexico are required  
14 to have a minimum level of insurance which we do. And so I  
15 would have to defer to our risk management group on the  
16 specifics of our insurance policies.

17 Q Do you know the policy limits on the policies?

18 A Off hand, I cannot tell you the policy limits under  
19 each of our policies here today.

20 Q Can you tell us under any of them?

21 A Yes. I can.

22 Q What are those?

23 A We have a wind storm insurance which doesn't which  
24 doesn't seem like it's appropriate here, but has a 300 plus  
25 million dollar limit. We have operators extra expense and

1 general liability which I believe has a \$500 billion limit  
2 offhand. We have numerous other policies, but I can't tell  
3 you the details of them without consulting our risk  
4 management group or for all our policies and such.

5 Q Does Fieldwood intend to reject the LSP operating  
6 agreement?

7 MR. PEREZ: Object to the form of the question,  
8 Your Honor, relevancy.

9 THE COURT: Tell me the relevance, Mr. Stark?

10 MR. STARK: Your Honor, it's relevant to the  
11 extent that there are obligations under the operating  
12 agreement for Fieldwood to be responsible for the cost of  
13 these sorts of events. And if we begin taking the event and  
14 Fieldwood rejects the policy, then BP may be left holding  
15 the bag.

16 THE COURT: I'm not entering an order that leaves  
17 BP holding the bag. I made clear yesterday that any order  
18 that I entered, that any risk that you are asked to take by  
19 Fieldwood post-petition, will be a post-petition payment  
20 obligation against Fieldwood and I will not back off that  
21 position. So I think we can move ahead. Because I'm not  
22 ask -- I will not ask you to do that.

23 MR. STARK: Thank you, Your Honor.

24 Pass the witness.

25 THE COURT: Mr. Dane, I don't know if this is a

1 question for you or if it needs to be differed for a  
2 technical person. How long is this pipe, roughly? Are we  
3 talking a 100-yard pipe or a 100-mile pipe?

4 THE WITNESS: We have our expert Venkatesh Bhat on  
5 the phone. I believe that he would have the correct answer  
6 to that question. It is not a multi-mile section of pipe.  
7 But Mr. Bhat would be the correct person to answer that  
8 question.

9 THE COURT: And the procedure -- in the terms of  
10 the process where you said that Fieldwood will undertake it.  
11 In my own mind, I'm thinking of the following, and maybe I'm  
12 thinking of this wrong. I've got a piece of pipe. And on  
13 one end it's going to connect up to the production from the  
14 well, and on the other end it's going to connect up to some  
15 sort of a gathering system. Is Fieldwood proposing to lay  
16 the pipe to hook up on the production end or to hook up on  
17 the gathering end? You know, which of those, if I can  
18 divide this into those three major tasks, is Fieldwood  
19 saying it will undertake?

20 THE WITNESS: So the piece of pipe that's being  
21 replaced is a jumper, which is a small section of pipe  
22 between the well head and another subsea piece of  
23 infrastructure. We're basically just rerouting one section  
24 of pipe that's already in place, due to where the leak event  
25 is. And we are taking -- the connections don't happen

1 directly to the loop system, they happen to various  
2 components of subsea infrastructure, and we're just  
3 rerouting two jumpers to form one connection. I believe we  
4 have a schematic that may be helpful.

5 THE COURT: But are you -- is Fieldwood proposing  
6 -- first of all are those three broad components of work  
7 that I described a reasonable way for a lay guy like me to  
8 think of this?

9 THE WITNESS: It is, Your Honor.

10 THE COURT: So I know that -- or at least I think  
11 you're proposing that you'll lay the pipe, right?

12 THE WITNESS: Correct. The operation is taking an  
13 existing jumper and removing it and connecting a new jumper  
14 in a different location.

15 THE COURT: So let's start then with connecting it  
16 to the well head. Under your proposal, who connects it at  
17 the well head?

18 THE WITNESS: So Fieldwood is the operator of the  
19 well itself. But because BP is the operator of the loop  
20 system which Fieldwood owns an interest in, BP as operator  
21 of that loop system under our agreements as they are today  
22 would be the one that would conduct those operations. In  
23 the past, BP has agreed to let Fieldwood do these operations  
24 and the operation that we did in April of this year was  
25 effectively the same operation that we're talking about

1 doing now. So BP would do it --

2 THE COURT: I'm asking -- I'm asking are you  
3 volunteering or offering to lay the pipe? To lay the pipe  
4 and hook it up at the well head? Or to lay the pipe and  
5 hook it up to the well head and hook it up at the other end  
6 of the jumper. I just want to know what it is that  
7 Fieldwood is saying it can do if BP doesn't want to do it?

8 THE WITNESS: The technicalities of where these  
9 jumpers intersect the different subsea equipment is the only  
10 thing that's giving me pause to answer your question. But  
11 to answer your question, we are proposing to undertake all  
12 of the operational activities associated with removing the  
13 jumper that needs to be removed and then replacing it with  
14 the rerouted jumper to make the correct connection. So all  
15 the subsea activities is what Fieldwood would be providing.

16 THE COURT: Thank you.

17 All right. Any follow ups, Mr. Perez?

18 MR. PEREZ: Nothing else, Your Honor, thank you.

19 THE COURT: Mr. Stark any follow ups with the  
20 questions that I asked?

21 MR. STARK: Not at this time, Your Honor.

22 THE COURT: Thank you, Mr. Perez.

23 MR. PEREZ: Your Honor, nothing further. May  
24 Mr. Dane be excused?

25 THE COURT: Yes. Thank you.



1 THE WITNESS: Thank you.

2 MR. PEREZ: -- going anywhere but --

3 MR. GENENDER: Your Honor, may I call my next  
4 witness?

5 THE COURT: Yes.

6 MR. GENENDER: Thank you, Your Honor. Paul  
7 Genender for the Debtors we would call Venkatesh Bhat  
8 please, Your Honor.

9 THE COURT: Mr. Bhat, would you press five-star  
10 one time on your phone please? Thank you.

11 (Witness sworn.)

12 THE COURT: Thank you, Mr. Bhat

13 Go ahead please, Mr. Genender.

14 MR. GENENDER: Thank you, Your Honor. Could I ask  
15 that Ms. Choi -- Erin Choi, be the presenter?

16 THE COURT: Of course. All right. She's a  
17 presenter.

18 MR. GENENDER: Thank you, Your Honor.

19 DIRECT EXAMINATION OF VENKATESH BHAT

20 BY MR. GENENDER:

21 Q Mr. Bhat can you please state your full name for the  
22 record, and for the benefit of the record can you spell your  
23 first and last name please?

24 A Venkatesh Bhat. V-E-N-K-A-T-E-S-H that's my first  
25 name. Last name is Bhat, B-H-A-T.

1 I don't want any interference with this. I'm not  
2 ordering anything about the SOPs. It's up to Fieldwood as  
3 to what it wants to do with the SOP. They are not the  
4 defendant here. BP is the bad actor, BP is going to do the  
5 work, BP is capable of doing the work and it should do the  
6 work. That is the order.

7 We are adjourned.

8 MR. GENENDER: Thank you, Your Honor. Good  
9 evening.

10 MR. STARK: Thank you, Your Honor.

11 (Proceedings concluded at 10:03 p.m.)

12 \* \* \* \* \*

13 I certify that the foregoing is a correct  
14 transcript to the best of my ability produced from the  
15 electronic sound recording of the ZOOM/telephonic  
16 proceedings in the above-entitled matter.

17 /S/ MARY D. HENRY

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